

**Application of SUEZ Water Pennsylvania Inc. for the Acquisition of Wastewater Assets of
the Township of Mahoning Pursuant to 66 Pa. C.S. §1329
Application Filing Checklist – Wastewater
Docket No. A-2018-_____**

8. State the total fees paid to the utility valuation experts for providing the completed appraisals for the acquisition and provide documentation, i.e., the valuation service agreement and all associated invoices, justifying the subject fee amounts.

RESPONSE: The fees paid to Gannett Fleming Valuation and Rate Consultants, LLC, on behalf of SUEZ Water Pennsylvania Inc. and the fees paid to ScottMadden, Inc., on behalf of the Township of Mahoning are reflected on the enclosed valuation service agreements and associated invoices for services received to date.



Smart. Focused. Done Right.™

ScottMadden, Inc.
1900 West Park Drive
Suite 250
Westborough, MA 01581
508-202-7918
scottmadden.com

August 3, 2017

Mr. TS Scott
Supervisor
Mahoning Township Water and Sewer Department
1101 Bloom Road
Danville, PA 17821

Dear Mr. Scott:

In response to our conversation on August 3, 2017, ScottMadden, Inc. ("ScottMadden") is pleased to provide the Mahoning Township Water and Sewer Department ("Mahoning") with our proposed fees for a valuation study and associated valuation report for Mahoning's operations. The study will establish a fair value for the operations of Mahoning in accordance with Public Utility Code (66 PA.C.S.) - Valuation of Acquired Water and Wastewater Systems for Ratemaking Purposes.

PROPOSED COMMERCIAL TERMS

Our proposed fee for the valuation study, associated report, and related appendices is \$30,000. Any travel related to the study, will be billed at our direct cost with no markup and is not included in the \$30,000 fee.

Any additional services required after delivery of the report will be billed at the following hourly rates:

Position	Hourly Rate
Executive Director	\$335
Director	\$295
Manager	\$270
Senior Associate	\$225
Associate	\$200
Senior Analyst	\$140
Analyst	\$125
Secretarial Costs	\$65

Every effort will be made to utilize our support staff in order to minimize the composite post-delivery billing rate. Again, any out-of-pocket costs will be billed at our direct cost, with no markup. Our normal practice is to invoice monthly, with payment to be remitted by check or wire in United States dollars.

Should you have any questions, or wish to discuss these estimates, please feel free to contact me directly at your convenience via phone (609 680 8695) or email (ddascendis@scottmadden.com). I look forward to working with you and your staff.

Please indicate your acceptance of these terms by signing in the space provided below.

Sincerely,



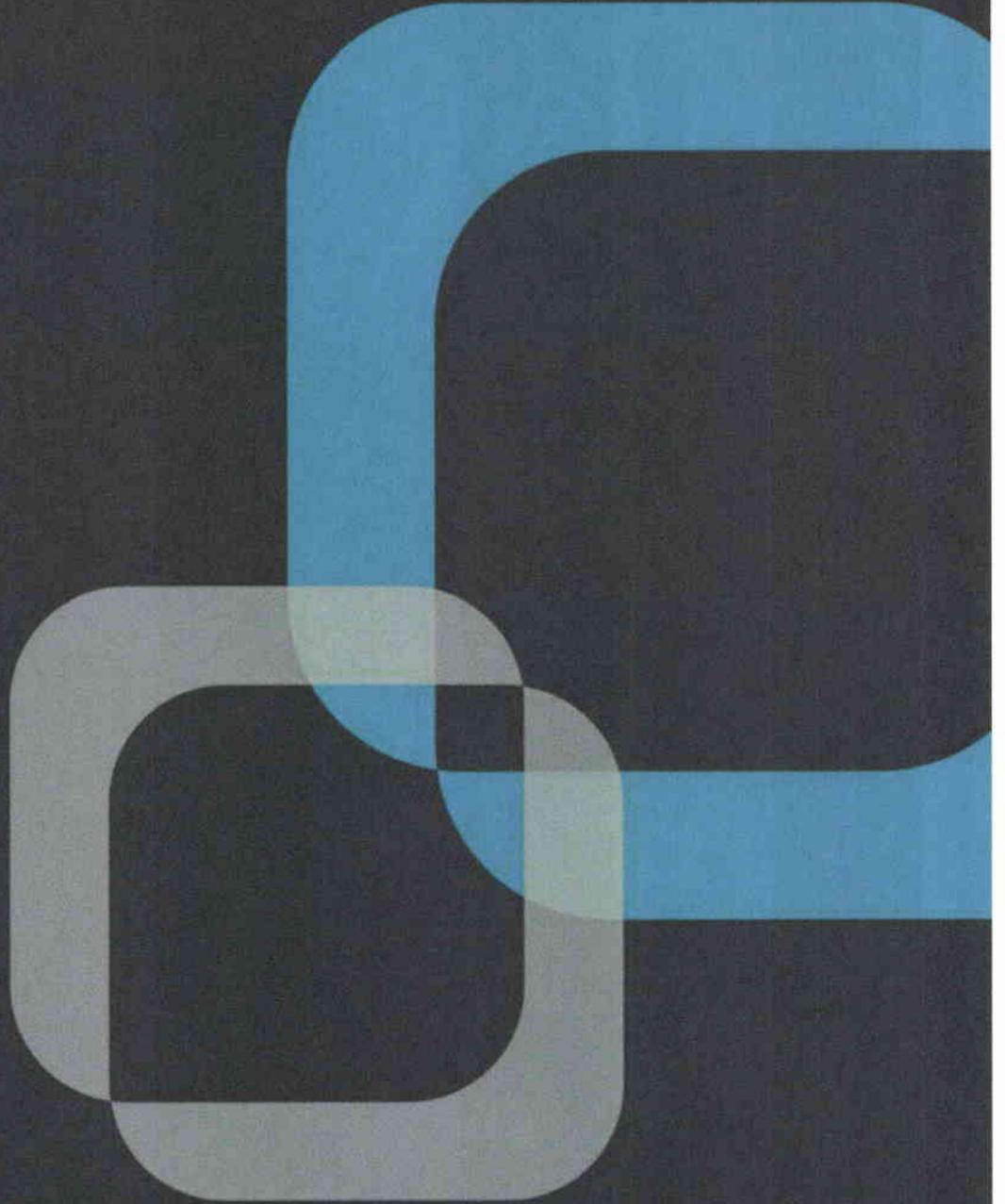
Dylan W. D'Ascendis, CRRA, CVA
Director

Accepted and Agreed by:
Mahoning Township Water and Sewer Department



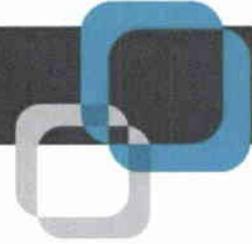
Signature and Title

8.14.2017
Date



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scottmadden
MANAGEMENT CONSULTANTS



VALUATION STUDY AND ASSOCIATED VALUATION REPORTS

Description of Analysis, Work Plan, and Schedule

The overall requirements of this assignment fall into four general categories: (1) planning and administration; (2) data collection and verification; (3) analysis and financial modeling; and (4) report generation. These general categories are discussed in the context of our proposed approach, which consists of the following tasks.

Task 1: Kick Off Meetings

The purpose of this task is to begin the planning and administration as well as better understand the Client's goals. We plan to accomplish this task by holding a kickoff meeting. Specific activities related to this task include:

- Gathering of relevant data and information relating to the valuation study, including, but not limited to:
 - Asset listing by FERC account (if available);
 - Date in Service
 - Original Cost
 - Accumulated Depreciation
 - Historical Financial Statements;
 - Income statements from 2012-2016
 - Cash flow statements (if available) from 2012-2016
 - History of last 5 rate increases (% increase, year enacted)
 - Forecasted Financial Statements;
 - Assumptions regarding revenues long-term (20 years)
 - Assumptions regarding operating expenses (20 years)
 - Assumptions regarding capital expenditures (20 years)
 - Assumptions regarding financing of capital (20 years)
 - Type of debt financing (sinking funds?)

Task 2: Data Analysis and Interviews

After compiling the data outlined in Task 1, it will be necessary to meet with people familiar with the operations of Mahoning (in person or via telephone) to discuss trends in the data to determine the appropriate approach to take. It will also be necessary to tour the facilities to determine the condition of

the assets. After these meetings, we will solidify our assumptions and determine the value of the assets under the Asset (Cost), Market, and Income approaches, which are discussed below.

Task 3: Development of Valuation Study

After gathering the data and discussing with the Client, the valuation study will be developed. The study will consider the national, regional, and local economy and its impact on the Company as well as industry trends and competition in the space. The study will consider three valuation approaches; the Asset (or Cost) approach, the Market approach, and the Income approach, to determine our conclusion.

Asset Approach

The asset (or cost) based approach is used to estimate the value of property based on the current cost of the subject assets, minus physical deterioration, functional obsolescence and economic obsolescence. In the asset approach, an analysis must be made of the property that is actually and physically being valued. The method we will be using to determine the current cost of the assets and will be a trended original cost study. This will be completed by trending each individual asset forward to current cost by use of the Handy-Whitman Index of Public Utility Construction Costs. This current value will be subtracted by the accumulated depreciation of those assets to indicate a value of the assets using the asset approach.

Market Approach

The market approach develops the value through an analysis of recent sales of comparable property. These transactions must be actual transactions (or current offerings) involving similar property. The transactions can be broken down into specific multiples (e.g. purchase price per customer / connection, purchase price / EBIT, etc.) to translate it to the Company or the actual purchase price can be adjusted to reflect differences between the completed transactions and the Company. Unfortunately, an active market may or may not exist, which means there can be too few transactions or non-representative transactions for the approach to be meaningful. We will make searches for similar market transactions for regulated water /wastewater companies and will apply our judgment on which adjustments we use or which multiples are applicable to regulated water / wastewater companies. We will also determine if the transactions we find are meaningful and if the market approach is valid in this case.

Income Approach

The income approach measures the present value of monetary benefits anticipated to be derived in the future from asset ownership. The present value of monetary benefits is measured by taking into account the duration and pattern of the income stream and the risk inherent in realizing that income stream. We will use historical and projected income statements to determine a realistic pattern of cash flows over a twenty-year time frame, then determine an appropriate capitalization rate to discount those cash flows back to present value to determine the indicated value using the income approach.

Report Generation

The valuation study will be used to generate the valuation report. As mentioned above, each valuation approach will produce an indicated value for the assets. We will incorporate all three valuation approaches for the final report.

PROJECT TEAM

The project will be led by Dylan W. D'Ascendis, CRRA, CVA, Director of ScottMadden, Inc. Mr. D'Ascendis will author the reports and will testify in any subsequent regulatory filing (if needed). Resumes and prior testimonies are available upon request. Robert Hevert, Partner, will be available as needed for technical or strategic support. In addition, the Project Team will be supported by ScottMadden's pool of highly qualified consultants as needed throughout the engagement.



Smart. Focused. Done Right.

ScottMadden, Inc.
2626 Glenwood Avenue
Suite 480
Raleigh, NC 27608
919-781-4191
scottmadden.com

June 15, 2018

Invoice Number: 014145

TS Scott
Mahoning Township Water and Sewer Department
1101 Bloom Road
Danville, PA 17821

In Reference To: Professional services provided in May 2018 for project 433-001
Mahoning Valuation Study

	<i>Amount</i>
Professional Fees	\$ 5,948.75
Total Fees and Expenses	<u>\$ 5,948.75</u>
Total Due	<u>\$ 5,948.75</u>

If you have any questions regarding this invoice, please let me know. Please remit payment in U.S. funds to: Accounts Receivable, ScottMadden, Inc., 2626 Glenwood Avenue, Suite 480, Raleigh, NC 27608. Thank you for retaining ScottMadden.

Sincerely,

Dylan D'Ascendis
Director

ScottMadden, Inc.
Tax ID: 56-1445505

Project **Mahoning Valuation Study**
In Reference to: **Professional services provided in May 2018 for project 433-001**

		<u>Current Hours</u>	<u>Rate</u>	<u>Current Amount</u>
Professional Fees				
Dylan D'Ascendis	5/2/2018	6.50	295.00	1,917.50
Update Asset and Market Approaches.				
Dylan D'Ascendis	5/3/2018	5.00	295.00	1,475.00
Updated analysis.				
Dylan D'Ascendis	5/4/2018	7.50	295.00	2,212.50
Updated analysis.				
Dylan D'Ascendis	5/8/2018	1.00	295.00	295.00
Review Walters' updated asset list. No change to report.				
Sara Derstine	5/4/2018	0.75	65.00	48.75
Proofread valuation report				
		<hr/>		<hr/>
	Professional Fees	20.75		5,948.75



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ScottMadden, Inc.
2626 Glenwood Avenue
Suite 480
Raleigh, NC 27608
919-781-4191
scottmadden.com

October 19, 2017

Invoice Number: 013142

TS Scott
Mahoning Township Water and Sewer Department
1101 Bloom Road
Danville, PA 17821

In Reference To: Professional services provided in September 2017 for project 433-001
Mahoning Valuation Study

Expenses		
Travel and Living Expenses		\$ 286.14
Amount Billed	Valuation Study	30,000.00
Total Fees and Expenses		<u>\$ 30,286.14</u>
Total Due		<u>\$ 30,286.14</u>

If you have any questions regarding this invoice, please let me know. Please remit payment in U.S. funds to: Accounts Receivable, ScottMadden, Inc., 2626 Glenwood Avenue, Suite 480, Raleigh, NC 27608. Thank you for retaining ScottMadden.

Sincerely,

Dylan D'Ascendis
Director

ScottMadden, Inc.
Tax ID: 56-1445505



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October 30, 2017

VIA EMAIL

Mr. John D. Hollenbach
Vice President
SUEZ Mid-Atlantic Division
4211 East Park Circle
Harrisburg, PA 17111

Re: Fair Market Value Appraisal

Dear Mr. Hollenbach:

In response to your request, Gannett Fleming Valuation and Rate Consultants, LLC is pleased to submit this cost proposal to provide SUEZ Mid-Atlantic Division (“SUEZ”) a fair market value appraisal of Mahoning Township’s water and wastewater systems assets (“Mahoning’s Systems”).

SCOPE OF SERVICES

Gannett Fleming Valuation and Rate Consultants, LLC (“Gannett”) proposes to conduct a fair market value appraisal of the Mahoning’s Systems in compliance with the Uniform Standards of Professional Appraisal Practices, employing the cost, market and income approaches. It should be noted that Gannett will utilize asset cost information provided by an engineering assessment of the Mahoning’s Systems assets.

Fair market value is defined as “the price, expressed in terms of cash equivalents, at which property would change hands between a hypothetical willing and able buyer and a hypothetical willing and able seller, acting at arm’s length in an open and unrestricted market, when neither is under compulsion to buy or sell and when both have reasonable knowledge of the relevant facts.”

As stated, the standard of value for this engagement is fair market value. The premise of value is going concern. The going concern premise of business value assumes that the business will continue running normally using all of its assets to produce income and will continue operating beyond the valuation date.

Gannett Fleming Valuation and Rate Consultants, LLC

P.O. Box 80794 • Valley Forge, PA 19484-0794 | 1010 Adams Avenue • Audubon, PA 19403-2402
t: 610.650.8101 • f: 610.650.8190
www.gannettfleming.com

Mr. John D. Hollenbach
Harrisburg, PA 17111

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October 30, 2017

Gannett will value the Mahoning's Systems assets as a group under the premise that they collectively comprise an ongoing operating business enterprise. In accordance with 66 Pa. C.S. Section 1329 the original source of funding for any part of the assets of the selling utility will not be relevant to determination of the value of said assets.

We will accept all information and data provided by the Mahoning's Systems and SUEZ as it pertains to this assignment "as is" after a limited review. That is, we will neither audit nor verify any data, original cost data, financial records or operating data provided for this assignment.

SITE INSPECTION

We will visit or inspect the Mahoning's Systems facilities and rely on the information provided by the engineering assessment of the Mahoning's Systems assets provided by the Mahoning's Systems and SUEZ.

REPORT

We will prepare a written document to substantiate our opinion. Our appraisal will be developed consistent with the Uniform Standards of Professional Appraisal Practices. Our valuation will include a detailed analysis and will be presented in a narrative comprehensive, "stand-alone" document for your use. The estimate of value that results from a valuation engagement will be expressed as a conclusion of value to be used for the purposes stated above.

Although our valuation is intended to estimate fair market value, we assume no responsibility for the inability of a seller or buyer to obtain a sale or purchase contract at that price.

QUALIFICATIONS

Since 1915, Gannett and its predecessors have been helping clients in public pricing policy and related financial matters for managerial purposes, before regulatory commissions and in courts of law. Our staff has considerable experience in providing an array of specialized financial services to support the core needs and objectives of our clients.

Our specialized financial services encompass utility valuations, economic valuation studies, cost of capital studies, depreciation studies, rate studies, lead lag studies, analyses of public utility accounting systems, debt financing reports, economic and demographic studies, financial decision studies, optimum capital structure, debt service levels, dividend policy, private placement of debt, financial benchmarking, and conducting property inventories.

We design each study and its related report to meet the specific requirements of our clients. These studies require objective analyses of basic data, informed professional judgment, and clear presentation of the results. Our staff includes professionals specialized in public utility accounting and ratemaking, valuation, cost of capital, lead lag, depreciation, associated technical services, and financial analysis. We are experienced utility valuation experts who determine fair market value using the cost, market and income approaches in accordance with 66 Pa. C.S. Section 1329. We are a registered Municipal Advisor with the Securities & Exchange Commission (SEC); and are a subsidiary of Gannett Fleming, Inc.

Gannett is approved as a “utility valuation expert” by the PUC within the context of 66 Pa. C.S. Section 1329, Valuation of Acquired Water and Wastewater Systems.

FIDUCIARY DUTY

Gannett has a fiduciary duty to, and will, provide a thorough, objective, and fair market valuation using the cost, market and income approaches in accordance with 66 Pa. C.S. Section 1329 and Pennsylvania laws.

Gannett attests that it does not derive any material financial benefit from the sale of, or purchase of, a selling utility other than fees for services rendered. Gannett also verifies it does not have any immediate family members that are directors, officers or employees of either an acquiring public utility, entity or selling utility within a 12-month period of the date of hire to perform an appraisal. We further affirm that Gannett is not directly or indirectly owned, partnered or in any way affiliated with a water/wastewater distribution company.

BASIS FOR COMPENSATION

Gannett will perform the above services, and other related services that you may authorize, based on hourly billing rates for our personnel in effect when we perform the work, plus the reimbursement of direct expenses. Direct expenses include transportation, meals, lodging and incidental expenses incurred while traveling and any other expenses required as a result of the assignment that are not incidental to the normal conduct of business. Attached are our billing rates for this project. We will render invoices monthly for services performed during the preceding month.

Based on our experience, we estimate the cost for a complete study will range from \$28,000 to \$33,000 and we *guarantee* it will not exceed \$35,000. The availability and quality of the required data sources of information impact the final cost.

Mr. John D. Hollenbach
Harrisburg, PA 17111

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October 30, 2017

SCHEDULE

The fair market value appraisal will be completed within ninety (90) days of our receipt of our signed proposal and the receipt of required data.

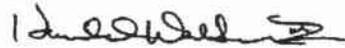
PROPOSAL

Based on the understanding outlined in this letter, we propose that SUEZ Mid-Atlantic Division retain Gannett Fleming Valuation and Rate Consultants, LLC to perform the services as outlined in this letter. If this proposal is satisfactory to you, please so indicate by signing the original proposal and returning it to me.

We thank SUEZ for this opportunity to provide valuation services in connection with the fair market value appraisal of Mahoning's Systems assets. We look forward to acceptance of our proposal and to a successful project.

Respectfully Submitted,

GANNETT FLEMING VALUATION
AND RATE CONSULTANTS, LLC



HAROLD WALKER, III
Manager, Financial Studies

HW:amp

Accepted and agreed on behalf of:

SUEZ Mid-Atlantic Division

By: John D. Hollenbach

Print Name: John D. Hollenbach

Print Title: V.P.

Date: 4/9/2018

GANNETT FLEMING VALUATION AND RATE CONSULTANTS, LLC

BILLING RATES

EFFECTIVE DECEMBER 31, 2016

<u>Personnel</u>	<u>Hourly Rate</u>
SUPERVISORY STAFF	
P. R. Herbert, Chairman and President	\$255.00
J. J. Spanos, Senior Vice President and Treasurer	250.00
C. R. Clarke, Director, Western U.S. Services	250.00
H. Walker, III, Manager, Financial Studies	230.00
J. F. Wiedmayer, Jr., Project Manager, Depreciation	200.00
C. E. Heppenstall, Project Manager, Rate Studies	175.00
N. W. Allis, Supervisor, Depreciation Studies	175.00
STAFF	
Analysts and Engineers	170.00
Associate Analysts and Engineers	160.00
Assistant Analysts and Engineers	140.00
Senior Technicians	105.00
Support Staff	105.00



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INVOICE

Gannett Fleming Valuation and Rate Consultants, LLC

SUEZ Water Pennsylvania Inc.
Attn: Michael Watkin, Director of Finance
4211 East Park Circle
Harrisburg, PA 17111

ACH/EFT Payment Information:
ABA: 031312738
Account No.: 5003165655
Account Name: Gannett Fleming

Check Payment Information:
Gannett Fleming Valuation and Rate Consultants, LLC
PO Box 829160
Philadelphia, PA 19182-9160

Project: 063892
Invoice No: 063892*3402
Invoice Date: June 26, 2018

Federal EIN: 46-4413705
Send Remit Info: AccountsReceivable@gfnet.com

For Professional Services Rendered through: May 25, 2018

Project Manager : Harold Walker III **hwalker@gfnet.com** **610 650-8101**

Fair Market Value Appraisal - Mahoning Township Water and Wastewater System Assets

Summary of Current Charges

Phase 000	- MAHONING TWP-FAIR MARKET VAL- WTR & WWTR	\$	22,910.00
	Total Charges		<u>\$ 22,910.00</u>
	Total Due This Invoice		\$22,910.00

**PLEASE PROVIDE CODING AND REPLY
BACK WITH APPROVAL TO PROCESS**



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Project: 063992
Invoice No: 063992*3402
Invoice Date: June 26, 2018

Gannett Fleming Valuation and Rate Consultants, LLC

Phase 000 -- MahoningTwp-FairMarketVal-Wtr&WWtr

Labor Costs			
Labor Classification	Hours	Rate	Amount
Associate Analyst	1 00	\$ 180.00	\$ 180 00
Harold Walker	95 00	235.00	22,325 00
John J. Spanos	1 00	260.00	260 00
Support Staff	1 50	110.00	165 00
			<hr/>
	Total Labor Costs		\$ 22,910.00
	Total Phase -- 000		<hr/> \$ 22,910.00